

TIERONE CORP  
Form 10-Q  
August 06, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-50015

**TierOne Corporation**

(Exact name of Registrant as specified in its charter)

Wisconsin

04-3638672

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

1235 "N" Street  
Lincoln, Nebraska

68508

(Address of Principal Executive Offices)

(Zip Code)

(402) 475-0521

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At August 3, 2004, the registrant had 18,285,811 shares of common stock, \$.01 par value per share, outstanding.

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**TierOne Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**June 30, 2004 (Unaudited) and December 31, 2003**

<i>(Dollars in thousands, except per share data)</i>	<b>June 30, 2004</b>	<b>December 31, 2003</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 34,616	\$ 34,901
<b>Investment securities:</b>		
Held to maturity, at cost which approximates fair value	135	142
Available for sale, at fair value	37,678	43,515
Mortgage-backed securities, available for sale, at fair value	12,804	15,712
<b>Loans receivable:</b>		
Net loans (includes loans held for sale of \$10,864 and \$7,083 at June 30, 2004 and December 31, 2003, respectively)	2,088,846	2,036,182
Allowance for loan losses	(20,886)	(19,586)
Net loans after allowance for loan losses	2,067,960	2,016,596
Federal Home Loan Bank stock	37,792	37,143
Premises and equipment, net	28,975	27,587
Accrued interest receivable	9,477	9,678
Other assets	25,832	22,594

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<i>(Dollars in thousands, except per share data)</i>	June 30, 2004	December 31, 2003
Total assets	\$ 2,255,269	\$ 2,207,868
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits	\$ 1,324,074	\$ 1,216,763
Advances from Federal Home Loan Bank and other borrowings	619,752	645,696
Advance payments from borrowers for taxes, insurance and other escrow funds	21,274	22,206
Accrued interest payable	5,166	5,259
Accrued expenses and other liabilities	21,407	22,855
Total liabilities	1,991,673	1,912,779
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value. 10,000,000 shares authorized; none issued	--	--
Common stock, \$0.01 par value. 60,000,000 shares authorized; 18,285,811 and 20,317,568 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively	226	226
Additional paid-in capital	355,051	354,054
Retained earnings, substantially restricted	35,699	25,833
Treasury stock, at cost; 4,289,264 and 2,257,507 shares at June 30, 2004 and December 31, 2003	(98,300)	(53,613)
Unallocated common stock held by Employee Stock Ownership Plan	(15,426)	(16,179)
Unearned common stock held by Management Recognition and Retention Plan	(13,618)	(14,982)
Accumulated other comprehensive income (loss), net	(36)	(250)
Total shareholders' equity	263,596	295,089
Commitments and contingent liabilities		
Total liabilities and shareholders' equity	\$ 2,255,269	\$ 2,207,868

See accompanying notes to consolidated financial statements.

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**TierOne Corporation and Subsidiaries  
Consolidated Statements of Income  
(Unaudited)**

<i>(Dollars in thousands, except per share data)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
<b>Interest income:</b>				
Loans receivable	\$ 27,074	\$ 27,373	\$ 54,237	\$ 54,166
Investment securities	903	1,115	1,830	2,147
Other interest-earning assets	--	--	--	99
Total interest income	27,977	28,488	56,067	56,412

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For the Three Months Ended    For the Six Months Ended  
June 30,                                  June 30,

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
<b>Interest expense:</b>				
Deposits	5,877	5,866	11,532	12,089
Advances from Federal Home Loan Bank and other borrowings	4,965	4,530	9,652	8,594
<b>Total interest expense</b>	<b>10,842</b>	<b>10,396</b>	<b>21,184</b>	<b>20,683</b>
<b>Net interest income</b>	<b>17,135</b>	<b>18,092</b>	<b>34,883</b>	<b>35,729</b>
Provision for loan losses	1,105	515	2,039	1,687
<b>Net interest income after provision for loan losses</b>	<b>16,030</b>	<b>17,577</b>	<b>32,844</b>	<b>34,042</b>
<b>Noninterest income:</b>				
Fees and service charges	4,697	612	7,810	1,579
Income (loss) from real estate operations, net	(32)	26	(109)	8
<b>Net gain on sales of:</b>				
Investment securities	312	--	312	--
Loans held for sale	705	2,653	1,021	4,608
Real estate owned	44	(93)	44	(79)
Gain on pension plan curtailment	--	--	1,456	--
Other operating income	569	695	1,202	1,406
<b>Total noninterest income</b>	<b>6,295</b>	<b>3,893</b>	<b>11,736</b>	<b>7,522</b>
<b>Noninterest expense:</b>				
Salaries and employee benefits	7,808	7,096	15,672	13,415
Occupancy, net	1,551	1,328	3,017	2,759
Data processing	463	407	967	818
Advertising	948	904	1,641	1,628
Other operating expense	2,632	2,007	4,701	4,215
<b>Total noninterest expense</b>	<b>13,402</b>	<b>11,742</b>	<b>25,998</b>	<b>22,835</b>
<b>Income before income taxes</b>	<b>8,923</b>	<b>9,728</b>	<b>18,582</b>	<b>18,729</b>
Income tax expense	3,348	3,593	6,947	6,899
<b>Net income</b>	<b>\$ 5,575</b>	<b>\$ 6,135</b>	<b>\$ 11,635</b>	<b>\$ 11,830</b>
<b>Net income per common share, basic</b>	<b>\$ 0.33</b>	<b>\$ 0.29</b>	<b>\$ 0.67</b>	<b>\$ 0.57</b>
<b>Net income per common share, diluted</b>	<b>\$ 0.32</b>	<b>\$ 0.29</b>	<b>\$ 0.66</b>	<b>\$ 0.57</b>
<b>Dividends declared per common share</b>	<b>\$ 0.05</b>	<b>\$ -</b>	<b>\$ 0.10</b>	<b>\$ -</b>
<b>Average common shares outstanding, basic (000's)</b>	<b>16,998</b>	<b>20,828</b>	<b>17,396</b>	<b>20,824</b>
<b>Average common shares outstanding, diluted (000's)</b>	<b>17,283</b>	<b>21,012</b>	<b>17,733</b>	<b>20,929</b>

See accompanying notes to consolidated financial statements.

**TierOne Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income**  
**Six Months Ended June 30, 2004 and June 30, 2003**  
**(Unaudited)**

<i>(Dollars in thousands)</i>	Common Stock	Additional Paid-In Capital	Retained Earnings, Substantially Restricted	Treasury Stock	Unallocated Common Stock Held by the Employee Stock Ownership Plan	Unearned Common Stock Held by the Management Recognition and Retention Plan	Accumulated Other Comprehensive Income (Loss), Net	Total Shareholders' Equity
Balance at December 31, 2002	\$ 226	\$ 355,741	\$ 2,018	\$ --	\$ (17,684)	\$ --	\$ (405)	\$ 339,896
Common stock earned by employees in Employee Stock Ownership Plan	--	557	--	--	753	--	--	1,310
Common stock purchased by the Management Recognition and Retention Plan	--	(97)	--	--	--	(1,357)	--	(1,454)
Amortization of awards under the Management Recognition and Retention Plan	--	--	--	--	--	500	--	500
<b>Comprehensive income:</b>								
Net income	--	--	11,830	--	--	--	--	11,830
Change in unrealized loss on available for sale securities, net of tax and reclassification adjustment	--	--	--	--	--	--	20	20
Total comprehensive income	--	--	11,830	--	--	--	20	11,850
Balance at June 30, 2003	\$ 226	\$ 356,201	\$ 13,848	\$ --	\$ (16,931)	\$ (857)	\$ (385)	\$ 352,102
Balance at December 31, 2003	\$ 226	\$ 354,054	\$ 25,833	\$ (53,613)	\$ (16,179)	\$ (14,982)	\$ (250)	\$ 295,089
Common stock earned by employees in Employee Stock Ownership Plan	--	914	--	--	753	--	--	1,667
Amortization of awards under the Management Recognition and Retention Plan	--	83	--	--	--	1,364	--	1,447
Repurchase of common stock (2,031,757 shares)	--	--	--	(44,687)	--	--	--	(44,687)
Dividends paid (\$0.10 per common share)	--	--	(1,769)	--	--	--	--	(1,769)